

# Illinois Commerce Commission

## 2022 Supplier Diversity and Community Affairs Annual Report



January 31, 2023

# STATE OF ILLINOIS



## ILLINOIS COMMERCE COMMISSION

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January 31, 2023

The Honorable Governor J. B. Pritzker

The Honorable Members of the Illinois General Assembly

The Honorable Members of the Illinois Commerce Commission

Please find enclosed the ICC's Office of Supplier Diversity and Community Affairs' annual report. Although Section 5-117 of the Illinois Public Utilities Act does not require an annual report, the Commission submits this annual report to showcase specific accomplishments in promoting diversity and inclusivity in regulated entities' supply chains.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeanine V. Robinson".

Jeanine V. Robinson

Director, Office of Diversity and Community Affairs

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# 2022 Utility Supplier Diversity Reports

## I. Introduction

In Illinois, the largest investor-owned utilities are required to report their supplier diversity outreach and inclusion efforts on an annual basis to the Illinois Commerce Commission (ICC). Seven years ago, the ICC began holding policy sessions to report and amplify supplier diversity efforts by public utilities. Every year has seen a positive gain, reflecting both a clear and continuous commitment to communities of color and a desire to reflect the diversity of the state. As Illinois realizes the benefits from increased diversity, equity, and inclusion, important work remains unfinished. Statistical data demonstrates that during the previous six years, utilities' spending with minority-, women-, and veteran-owned businesses grew from an average of 15% to over 30% of all procurement spending. Specifically, annual diverse spending by Illinois' six largest investor-owned utilities has continued for a second year in a row at over \$2 billion, with some utilities reporting nearly 50% share for diverse supplier spending. Diverse spending remained steady, despite a slight decrease in the utility company's overall total spend for 2021. Of the \$5.1 billion spend among the 6 utilities, 44% was diverse spend. This includes Minority Business Enterprises (MBE), Women Business Enterprises (WBE), Veteran Business Enterprises (VBE), and Small Business Enterprises (SBE). For the State's competitive market economy to work as intended, the General Assembly properly observed that minority-owned and women-owned businesses must have equal opportunity to participate.

### Utility Diverse Supplier Spend

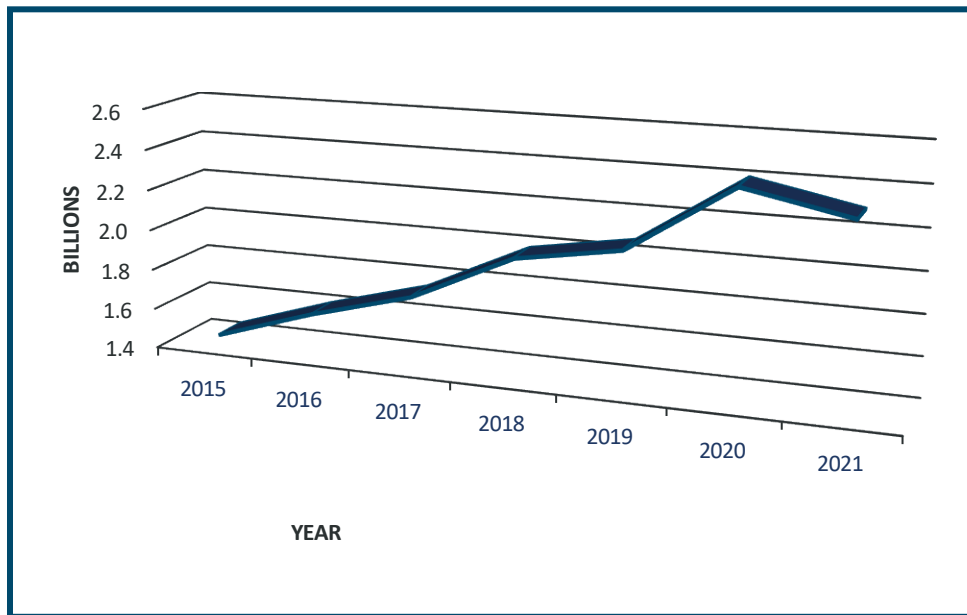


Figure 1 Dollars spent Includes MBE, WBE, VBE and SBE spending

In 2017, Illinois became the first state to mandate that suppliers of wind and solar energy report on their efforts to diversify their supply chains. Requiring generators of renewable energy to report on diverse procurement and goals to expand diverse procurement has taken on increasing importance, as Public Act 102-0662<sup>1</sup> mandates a significantly expanded deployment of renewable energy sources in Illinois, and includes ambitious supplier and workforce equity goals in aid of such expansion.

The goal of the ICC's Office of Diversity & Community Affairs (ODCA) is – among other things - to understand the challenges, and concerns, of utility companies, organizations, and businesses regarding implementing, increasing, and improving supplier diversity. Through collaboration with the utilities, not-for-profits, and government agencies, ODCA has helped build relationships to increase the pool of diverse suppliers from which utility companies can draw. Various organizations including, but not limited to, The Illinois Business Enterprise Program (BEP), Women Business Development Center (WBDC), Hispanic American Construction Industry Association (HACIA), Chicago Minority Supplier Development Council (CMSDC), Federation of Women Contractors – Chicago (FWCC), Black Contractors Owners & Executives (BCOE), various chambers of commerce, and the Illinois Utility Business Diversity Council (IUBDC) continue to act as strong resources for diverse suppliers.

On a national level, ODCA communicates with public utility commissions (PUCs) in the few other states that have implemented supplier diversity programs for their regulated utilities. This allows ODCA to exchange ideas and share best practices as we collectively seek to level the playing field for diverse businesses in our respective states.

Illinois remains one of a few states in which the legislature has recognized the importance of supplier diversity through statutory reporting requirements. In support of the legislature, the Commission will continue to build relationships with other organizations throughout Illinois and the nation to increase opportunities for diverse suppliers headquartered in Illinois. We look forward to continuing to address the challenges and opportunities regarding improved supplier diversity and inclusion efforts.

## **II. Background**

In 2014, the General Assembly enacted Section 5-117 of the Public Utilities Act (220 ILCS 5/5-117) (Supplier Diversity Statute), which created annual reporting requirements regarding investor-owned utilities' supplier diversity outreach and inclusion to the ICC. The Supplier Diversity Statute created ODCA within the ICC to address the annual reporting and policy session requirements of the statute.

Illinois' public policy, as stated in the Supplier Diversity Statute, is to collaboratively work with regulated utilities that serve Illinois residents, in a non-antagonistic manner, to improve such utilities' supplier diversity. The Supplier Diversity Statute specifically identifies four categories of diverse suppliers: MBEs, WBEs, VBEs, and SBEs. The statute further directs utilities to provide points of contact for MBEs, WBEs, and VBEs. Although the statute requires all electric, gas and water utilities with at least 100,000 customers to report, the ICC encourages all utilities, regardless of size, to improve their efforts to diversify their suppliers.<sup>2</sup>

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<sup>1</sup> PA 102-0662 is colloquially referred to as the Clean Energy Jobs Act, or CEJA.

<sup>2</sup> To view a list of regulated entities that filed annual reports, covering activities conducted in calendar year 2019, in 2020, please visit <https://www.icc.illinois.gov/home/diversity-and-community-affairs>.

This summary report is based upon the annual reports submitted over the past seven years by the six public utilities with the largest number of customers in Illinois (the Big 6)<sup>3</sup>: Ameren Illinois, Aqua<sup>4</sup> Illinois, Commonwealth Edison (ComEd), Illinois American Water, Northern Illinois Gas Company d/b/a Nicor Gas Company (Nicor), Peoples Gas Light and Coke Company / North Shore Gas Company (collectively “Peoples Gas/North Shore”)

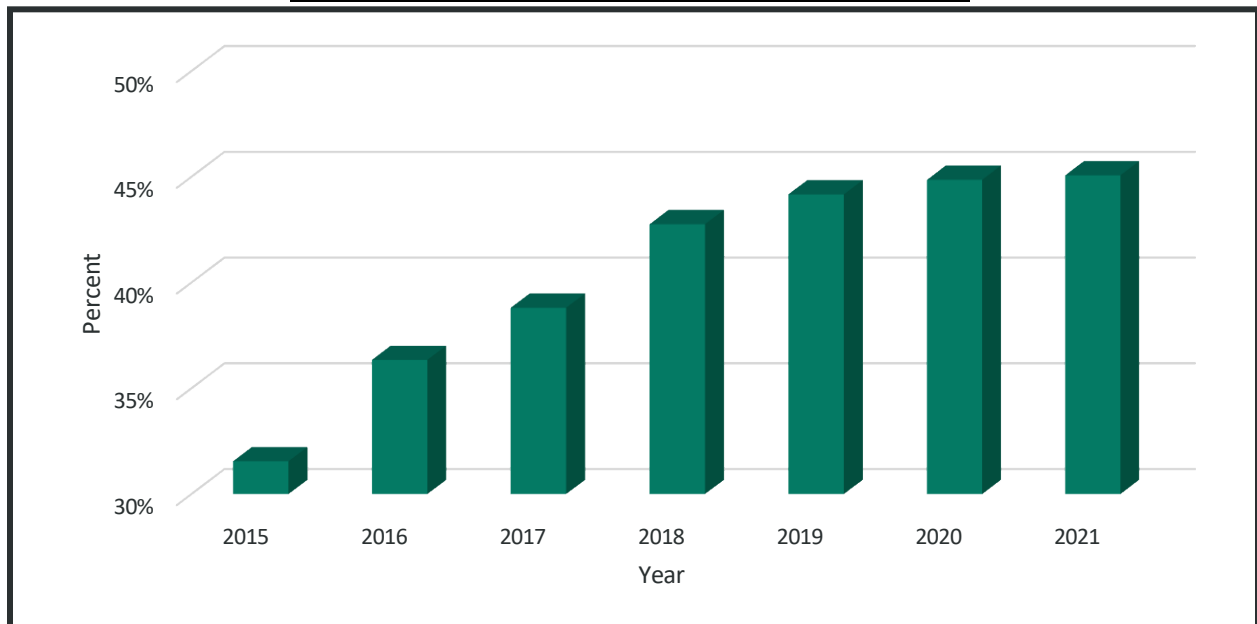
### III. Data Analysis and Discussion

Since the implementation of the Supplier Diversity Statute, the spending trend of the Big 6 Illinois regulated utilities has steadily increased their supplier diversity spending (Figure 1). Seven years later, their diverse spending is collectively over \$2 billion and includes MBEs, WBEs, VBEs, and SBEs.

#### **Total Diversity Spend (MBE, WBE, VBE) vs. Total Spend**

Beginning in 2020, the ICC’s Office of Diversity & Community Affairs began visualizing the spend data provided by the Big 6 public utilities. This visualization provides the Commission with various trend lines regarding spending and resource allocation, as well as information regarding opportunities for further growth. Per the data provided within the 2022 reports, we observed the following trends.

#### **Diverse Spend v. Total Spend (Big 6 Utilities)**



*Figure 2 Diverse Spending as a percentage of total Spend*

At the end of calendar year 2021, collectively, the Big 6’s diversity spending averaged over 40% of their total procurement expenditures (Figure 2). Reporting includes Tier 1 suppliers, or direct prime contractors

<sup>3</sup> Ameren, Illinois American Water, ComEd, Nicor, and Peoples/North Shore have over 100,000 customers and are therefore subject to the reporting requirements in 220 ILCS 5/5-117.

<sup>4</sup> Aqua began voluntarily submitting their data in 2019.

to the utilities, and Tier 2 suppliers, or subcontractors of Tier 1 suppliers.<sup>5</sup> The Big 6 utilities reported implementation of several practices to achieve their own targeted goals for supplier diversity. Strategies employed include requiring bidders to include information about Tier 2 suppliers and direct outreach to non-profits to amplify bid opportunities to diverse suppliers. Several utilities identified performance metrics that are measured quarterly to track progress of their goals. Additionally, the utilities participate in the Illinois Utilities Business Diversity Council (IUBDC), a forum for best practice sharing and information exchange among Illinois' utilities with a focus on advancing the growth and utilization of diverse businesses in the State of Illinois. The IUBDC provides education, information, and technical assistance as an active resource for utility stakeholders.

Opportunities exist for improvement in high spending categories with low supplier diversity participation, such as Fleet Services, Information Technology Outsourcing and Software Maintenance. Moreover, we have seen opportunities for growth within a category that may have high levels of diverse spending overall but low WBE and VBE spending. Legal and other professional services have seen moderate improvement over the past seven years.

Most of the utility companies have mentorship programs in place to build a pipeline of diverse suppliers. Here, a utility may assist a diverse supplier in gaining skills and experience, while participating as a group of suppliers working on a project. Building a pipeline of diverse suppliers that vary in maturity, from mentorship to Tier 2 to Tier 1, provides a steady stream of work to diverse suppliers. Another strategy employed by utility companies includes identifying a project exclusively for diverse suppliers. This allows diverse suppliers to compete knowing a sizeable project exists. The supplier diversity reports include various success stories for diverse companies because of the programs and support received from the utility company.

Similarly, winning Tier 1 suppliers may ask failed bidders to work as Tier 2 suppliers on a project. Utilities also encourage Tier 2 suppliers to bid directly as Tier 1 suppliers. Another opportunity for smaller diverse suppliers is for utilities to unbundle a large project into smaller projects. Most diverse suppliers are smaller enterprises than their non-diverse counterparts. For example, if a pipeline project requires ten crews to work simultaneously, a supplier with only five crews will not qualify to bid. Breaking the project into 3 separate bids would increase the number of suppliers that are capable of performing the work.

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<sup>5</sup> To prevent double counting when a supplier qualifies under multiple categories of diverse suppliers, the Big 6 utility companies reported that their certification priority is MBE, WBE, VBE, and lastly SBE. For example, if a supplier qualified as an MBE *and* WBE, the amount of their contract would be counted under the MBE certifications.

### Big 6 Diverse Spending by Certification

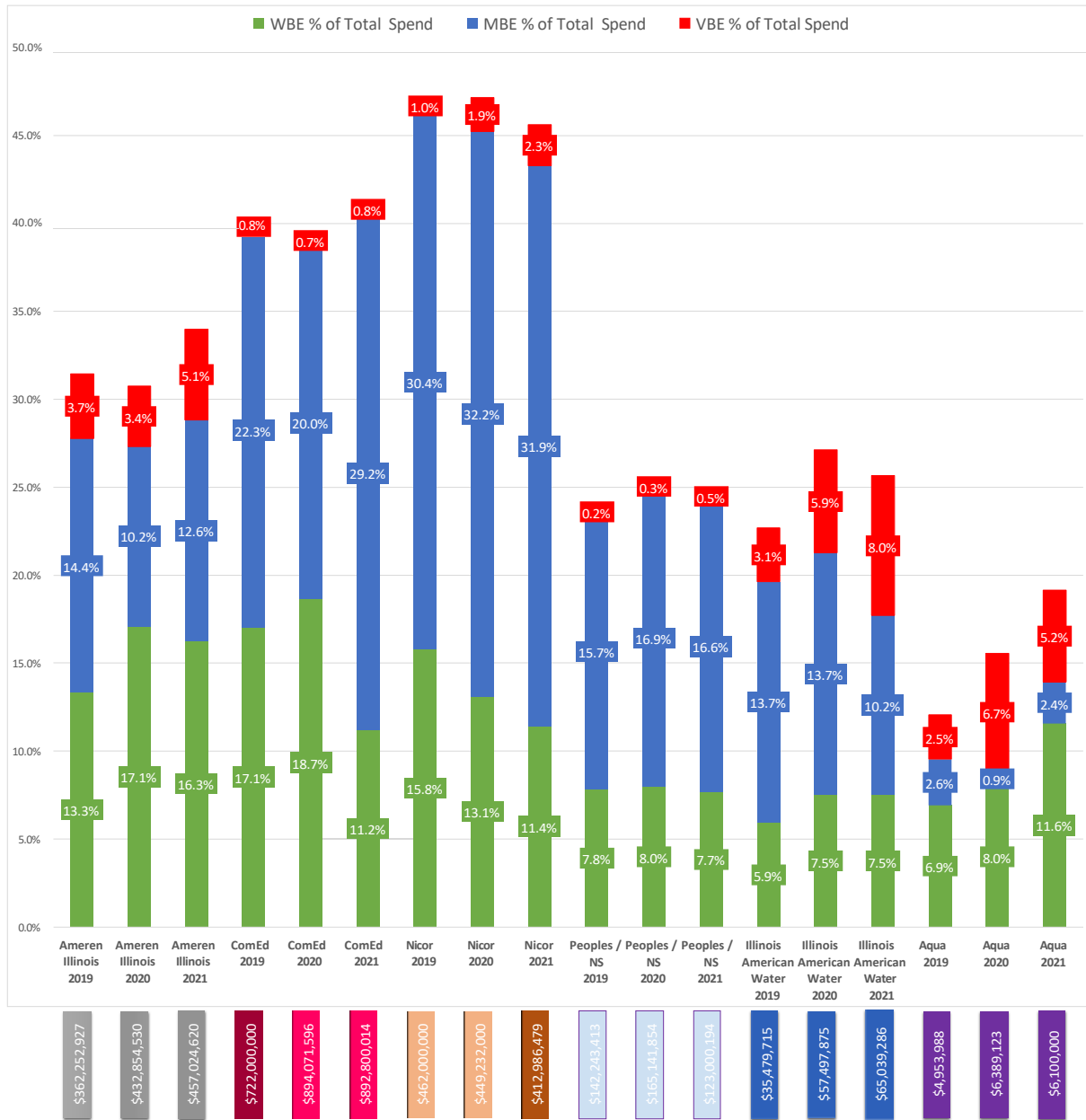


Figure 3

As Figure 3 above indicates, diverse spending reflects spending by Minority, Women, Veteran-owned businesses.

### **Illinois Total Diverse Spending vs. Total Spending**

While the large utility companies, which are in all cases owned by holding companies that also own operating utilities in other states, maintain goals to increase supplier diversity across all of their affiliates, the ICC's and ODCA's focus is upon Illinois operating utilities and Illinois-based suppliers. Starting in reporting year 2019, OCDA began requesting diverse spending data for Illinois-headquartered businesses compared to total diverse spending. Additionally, OCDA sought data relating to the number of, and spending associated with, Illinois-based suppliers.

Figure 4 below reflects the percentage of Illinois utilities' diverse spending compared with total spending. This chart allows ODCA to understand and evaluate growth opportunities for the Big 6 to further increase procurement with Illinois-based businesses. Per the annual diverse spending reports reflecting 2021 activity, the Illinois diverse spending for MBE, WBE, and VBEs for the Big 6 currently ranges from approximately 13% to 30%. Most of the companies increased their spend with Illinois diverse businesses. The Big 6 utilities also identified challenges with finding qualified vendors based in Illinois. The ICC and ODCA are committed to assisting utilities in increasing supplier diversity with Illinois businesses.



## Illinois Diverse Spend, Percentage of Total Spend

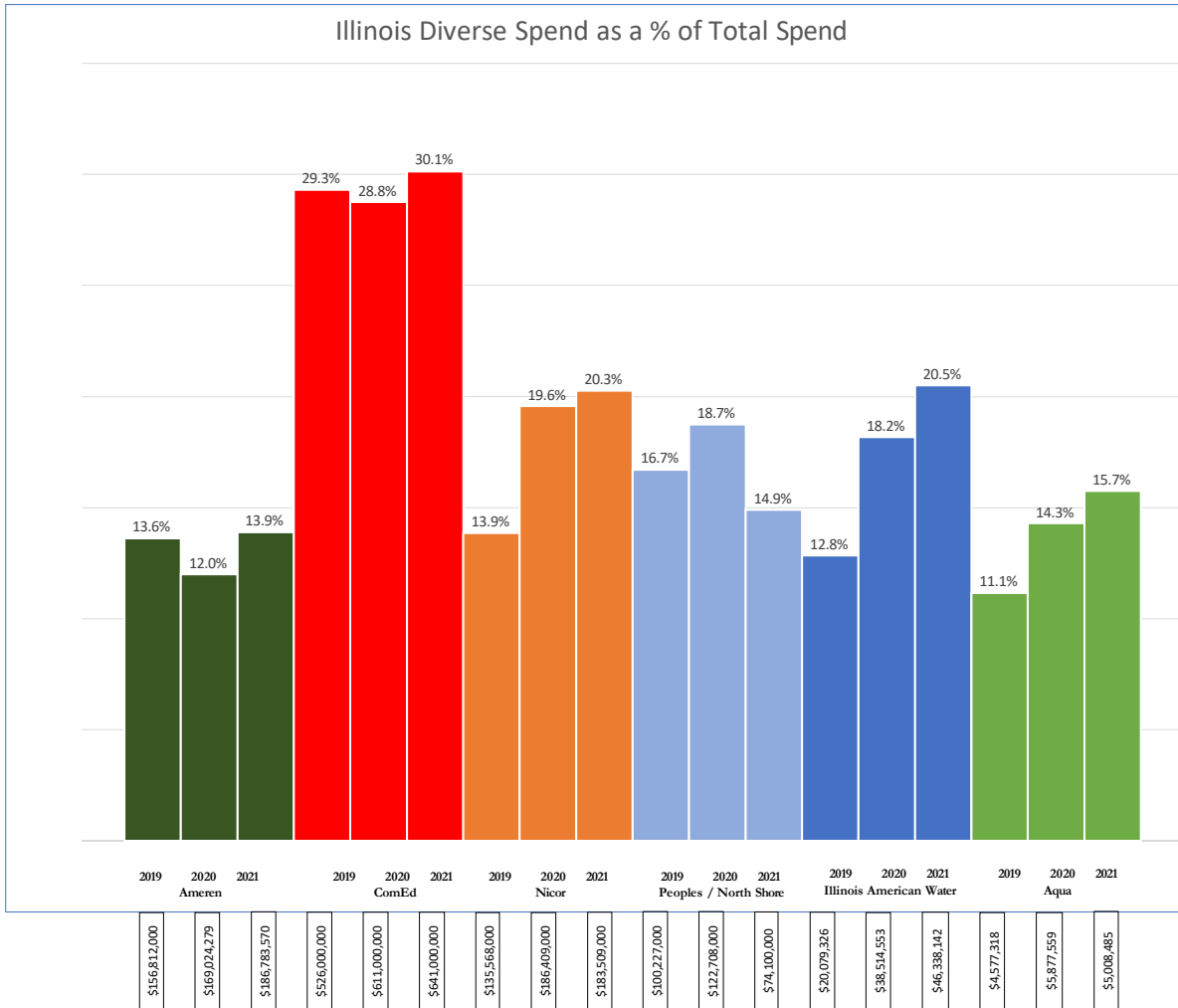


Figure 4

### Diverse Suppliers

The Annual Report notates the number of diverse suppliers currently in the utility company’s database and how many are based in Illinois. Approximately 40 – 60% of the diverse spend of several of the utility companies, are with Illinois diverse suppliers. The utility companies have identified strategies in place to continue to increase the number of qualified diverse suppliers. The ICC and ODCA are also committed to assisting with this initiative.

### **Professional Services Diversity Spending**

Professional services providers are defined as knowledge-based organizations that provide highly specialized services across many industries. These businesses generally require professional licensure and/or degrees in the arts or sciences. Professional services categories include legal services, financial services, human resources, information technology services, engineering, and technical services, communications / marketing, and management consulting.

Though there is a uniform definition for the professional services categories, there are still different elements that result in differing interpretations of professional services among Illinois utilities. As a result, it is difficult to offer a completely accurate comparison between and among Illinois utilities. The ICC stated that it desires utilities to increase diverse spending in legal and financial services; procurement of such services, however, is often the responsibility of the parent company, or an affiliated service company created to provide such services, and such services are not procured by the subsidiary utility. Within this limitation, the Big 6 utilities still look to implement programs and build relationships to increase the diversity in these categories.

### **Utility Scale Renewable Energy Suppliers**

Effective June 1, 2017, Section 5-117 of the Public Utilities Act was amended to include suppliers of renewable energy. Accordingly, 2018 was the first year in which renewable energy suppliers were required to submit supplier diversity reports. ODCA focuses on utility-scale renewable energy suppliers that generated at least 1 megawatt-hour (MWh) of renewable energy in the reporting calendar year. Accordingly, the list does not include distributed renewables.

ODCA obtained information regarding the procurement of renewable energy credits (RECs) from the PJM Interconnection and the Midcontinent Independent System Operator (MISO) for utility-scale renewable generation, thereby independently verifying utility information.

ODCA has initiated outreach efforts to the renewable energy industry to create a system of reporting to ensure compliance with the supplier diversity statute and accomplish the goals of the ICC. 2019 was the first year in which many of the renewable energy companies were informed of their annual reporting requirement. There was an increase in reports received this year due to the ODCA's outreach efforts. Increased compliance is anticipated in the coming years.

### **Challenges for the Big 6 Utility Companies**

During ODCA's meetings with the Big 6 utilities, the utilities identified various challenges and concerns regarding acquiring and maintaining diverse suppliers. These include finding and maintaining a pool of diverse suppliers with the experience needed for specific projects. In addition, a diverse supplier may be able to undertake one project but, due to limited access to capital, be unable to bid on multiple or larger projects. Challenges faced by diverse suppliers may cause the Big 6 utilities to consider unbundling some of their projects. Another challenge is geographic distribution, meaning qualified diverse suppliers may not exist that serve specific geographic areas in which a project is sited. Also, as mentioned earlier, diverse suppliers may lose certification, thereby reducing the spending on, and number of, diverse suppliers.

#### **IV. Closing**

Over the past seven years, the ICC and ODCA have led a robust supplier diversity effort. Recognizing the collaborative efforts that have resulted in a consistent increase of diverse spending since 2014, the ICC and ODCA will continue to initiate, seek, and build relationships with other agencies and organizations, throughout Illinois in order to increase the pool of diverse suppliers from which utilities may draw. By building these relationships and seeking collaboration, additional diverse businesses become aware of available bid opportunities. The ICC and ODCA can assist in addressing challenges and concerns on a going-forward basis.

ODCA continues to explore ways to improve our service to diverse suppliers in Illinois. In particular, ODCA has revamped the ICC's supplier diversity website to improve user experience and facilitate connections between suppliers, state certification agencies, and utility liaisons such as the IUBDC. Moreover, ODCA has engaged in outreach efforts to Alternative Retail Electric Suppliers (ARES) and Alternative Gas Suppliers (AGS), several of which have expressed concerns and sought clarity regarding their reporting obligations under the Supplier Diversity Statute.

Also, as a result of amendments to the Supplier Diversity Statute during the 102nd General Assembly, the 2023 supplier diversity reports will now include each utility company's future buying plan. The buying plan will include specific goods and services, the utility company plans to purchase in the next 6 – 18 months. This will make diverse suppliers, assist agencies, and stakeholders aware of upcoming proposed procurement projects. As a result of this resource, interested parties should be more readily able to prepare for, and to bid on, upcoming business opportunities with these utility companies.

The best way to demonstrate the ICC's and ODCA's commitment to supplier diversity is to lead by example. We look forward to continuing to address the challenges and opportunities regarding the improvement of supplier diversity. As one of few states where legislative bodies have recognized the importance of supplier diversity through a statutory reporting requirement, we remain excited to lead the effort to increase opportunities for diverse suppliers headquartered in Illinois.

## Appendix 1 Acronyms

ARES	Alternative Retail Electric Supplier
AGS	Alternative Gas Supplier
BEP	Business Enterprise Program
CMS	Illinois Department of Central Management Services
CMSDC	Chicago Minority Supplier Development Council
DER	Distributed Energy Resource
HACIA	Hispanic American Construction Industry Association
ICC	Illinois Commerce Commission
IUBDC	Illinois Utility Business Diversity Council
MBE	Minority-Owned Business Enterprise
PUA	Public Utility Act
MISO	Midcontinent Independent System Operator
MWh	Megawatt-hour
ODCA	ICC Office of Diversity and Community Affairs
PJM	PJM Interconnection
REC	Renewable Energy Credits
SBE	Small Business Enterprise
Tier 1 Supplier	Direct contractors of the utilities / energy supplier
Tier 2 Supplier	Subcontractors of Tier 1 suppliers
VBE	Veteran-Owned Business Enterprise
WBDC	Women's Business Development Center
WBE	Women-Owned Business Enterprise